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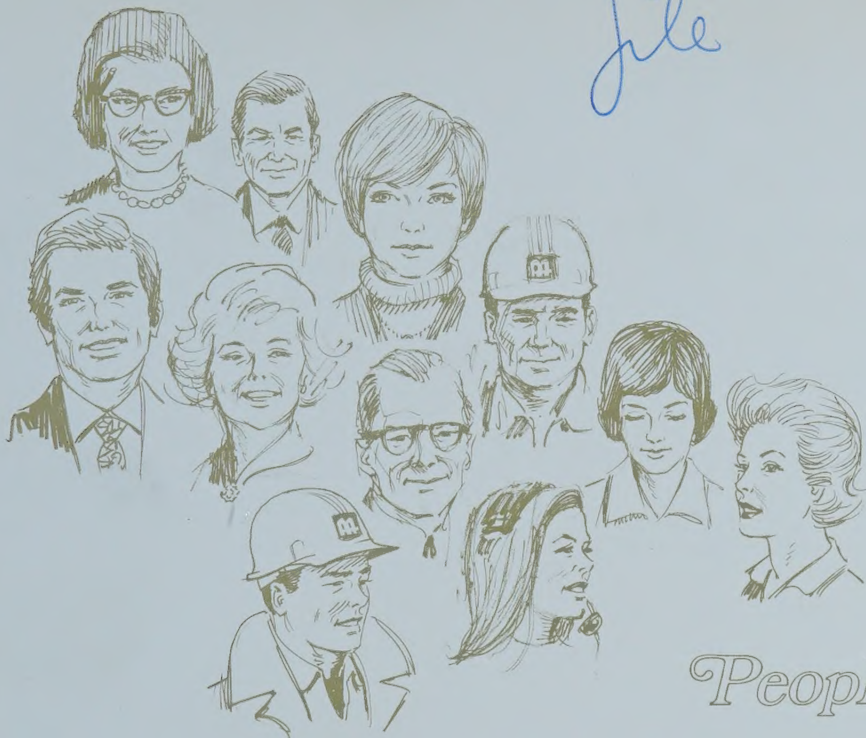


People Serving People

the ANNUAL REPORT of Maritime Telegraph & Telephone Co Ltd for 1971

THE 1971 ANNUAL REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Maritime Telegraph & Telephone Company Limited

Incorportated under the laws of the Province of Nova Scotia

This 1971 Annual Report is a summary of the operations of the Company in its 62nd year of serving Nova Scotia. It is prepared for those who have invested in our Company, for those who are interested in the Company's performance and for our employees.

Maritime Telegraph & Telephone Company Limited

Head Office: 1520 Hollis Street, P. O. Box 880, Halifax, Nova Scotia, Canada,
Telephone (Area Code 902) 424-4541

STOCK TRANSFER OFFICES
Maritime Telegraph and Telephone Company, Limited, 1520 Hollis Street, Halifax, N.S.; Canada Permanent Trust Company, 625 Dorchester Blvd. West, Montreal 1, Que.; Canada Permanent Trust Company, 1901 Yonge Street, Toronto 1, Ont.

STOCK REGISTRAR
The Halifax, Montreal and Toronto offices of Canada Permanent Trust Company are registrars of common shares of the capital stock of the Company.

COMMON SHARES LISTED
Montreal Stock Exchange
Toronto Stock Exchange

The annual general meeting of the shareholders of Maritime Telegraph and Telephone Company, Limited will be held at the Head Office of the Company, 1520 Hollis Street, Halifax, N.S., on Wednesday, the 15th day of March, 1972, at twelve o'clock noon.

The theme of this report

is "people serving people", a report both on the Company and on a year in the lives of the 1,400 women and 1,300 men who make it work. Deliberately, it is an attempt to go beyond the statistics of sales and service, growth and progress. Instead, it is a recognition that your investment in Maritime Tel and Tel can be measured not only in a dollar and cents return – but in the work, achievements and service to Nova Scotians in their jobs and through their communities by a unique brand of people.

1971 HIGHLIGHTS
(compared to 1970)

Total Telephone Plant: $205 million, up 8%

Local Calls: 634 million, up 4%

Long Distance Calls: 17.4 million, up 11.4%

Taxes: $7.9 million, up 1%

Earnings per share: $1.83, up 7%

Employees: 2,649, up 5%

Telephone Gain: 18,609, up 42%

On both counts, it was a rewarding 12 months in your Company's 62-year history. Early in 1971 we forecast earnings-per-share to be in the $1.70-5 range, and we ended the year at $1.83. We figured on a gain in telephones installed of about 14,600; in fact, for reasons detailed in subsequent pages, we grew by more than 18,600, highest on record. Towards the end of the year we announced five-year plans for all-dial, all-DDD for Nova Scotia, part of a capital expansion program of $140 million that will almost equal our entire net plant in service at the start of 1971 – a commitment to the future reflecting our confidence in the prospects for growth and prosperity of our province.

John R. Gale
General Information Manager

Maritime Telegraph & Telephone Company Limited

1520 Hollis St., Halifax, N. S., (902) 424-4777 TWX 610-271-4483

And then in the closing days

of the year there were three separate but related developments. In Halifax we cut into service Eastern Canada's first city-core wideband telecommunications network for major business, government and institutional customers; established a subsidiary company which purchased the Halifax operations of a shared-time computer company; and signed the lease and approved the plans for a "storefront" small-businessman's pay-as-you-use Computer Communications Centre.

All three are innovations, it should be stressed, in line with our dual targets of growth and diversification.

Clearly, any company takes its corporate character from its people. It is appropriate, therefore, to look closely at the 2,700 people of MT & T who are charged with guiding the growth of vital telecommunications in our area.

This we set about to do in this Report and we confess the results are far more than we anticipated. The performance of our people in all spheres of life in Nova Scotia – both on the job and in their communities – can only be described as exciting. Their story follows, in words and pictures.

Feb. 9, 1972

Chairman and President, A. Gordon Archibald (seated, centre) with Donald W. Myers, Executive Vice President (standing), Alex H. MacKinnon, Vice President – Planning (nearest camera) and W. Struan Robertson, Vice President – Operations.

General Traffic Manager D. Nelson Braid, seated at Network Management Centre console at Halifax's North Street Long Distance Centre, with (l to r) R. H. Short, General Traffic Supervisor; W. P. Farmer, Traffic Operations Superintendent; and A. G. Methven, Traffic Facilities Superintendent.

People Serving People

NEW IDEA BRINGS PHONES CLOSE TO 300,000 WITH RECORD GAINS IN GROWTH AND CALLS

For MT & T, our optimism in the strength of Nova Scotia's economy was borne out in 1971 in rapid expansion of nearly all aspects of telecommunications services. Balancing a "management of revenues" approach against traditional, and always-present, management-of-costs, we moved at mid-year to eliminate installation charges for residence add-on telephone services such as extensions, decorator sets and Touch-Tone services.

This was coupled with a strong marketing campaign — advertising, direct-mail, personal solicitation and sales — and forecasts for net growth based on past trends soon had to be re-written. A year ago, we had anticipated a growth of about 14,600 telephones in 1971. But improvements in business conditions and the attractiveness of free installation quickly changed this. Crews, vehicles and overtime schedules were shifted to meet the demand, and by the end of the year growth had totalled 18,609.

Long-distance services were given equal emphasis. Now in its second year, the bargain-rate two-minute minimum for calls within the Province continued to meet a high degree of customer acceptance.

Surveys by telephone of 10,600 customers whose records showed relatively low usage of the network helped re-shape our marketing of long-distance services. They had the result, too, of stimulating average usage, accelerating use by as much as three or four times among some groups.

Some statistics on our growth:

- there are now 39.1 telephones per 100 persons in Nova Scotia, compared to 25 ten years ago. The national average is 46.
- there are 91 telephones for every 100 homes, compared to 71 in 1961.
- single-line service is now provided for 140,000 out of 181,000 residence services (among the highest developments in Canada) compared to 74,000 out of 117,000 ten years ago.
- total telephones stand at 297,877, compared to 176,853 in 1961.

Traffic Service Advisor Mrs. Joyce Lyons (r), Kentville, with operator Dale Meisner (l), goes through practice drills with operator-trainees Brenda Sears (seated, l) and Rita Kelley.

Some statistics on usage:

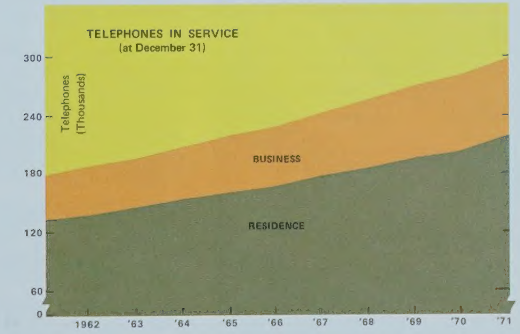
- telephone calls handled in 1971 totalled 636 million, compared to 348 million ten years ago.
- long-distance calling increased by 11.4%, the 1971 total of 17.4 million being more than double the 8 million placed in 1961. Toll calls averaged 47,670 daily.
- 92% of the telephones in the Company's 145 exchanges are dial operated, and 67% of them are connected to the Direct Distance Dialing network throughout Canada and the U.S. and possessions.

As the year drew to a close, we completed our plans to diversify telecommunications service offerings, with the low-usage business customer chiefly in mind. Scheduled for operation in the Spring of 1972, the Company's new Computer Communications Centre at Halifax's Scotia Square will offer a variety of "pay-as-you-use" wares; data and teletype transmission, facsimile copier terminals, tele-script transmission devices and access to time-shared computer facilities.

The MT & T Centre will, as well, encompass a unique full-service Phone Store where both residence and business customers can order services, pay accounts and shop for premium-priced items such as Contempra, antique and decorator sets.

Yarmouth Directory Assistance operator Mrs. Roseann Penney with area master directory.

Truro Service Representative Mrs. Janet Nelson with customer record file-bins.



General Commercial Manager Murray W. Wallace (r) checks floor layout plans for Phone Store with (l to r) D. D. Horne, General Marketing Supervisor; W. J. Chabassol, project manager; and C. G. Hawkins, General Supervisor — Rates & Development.

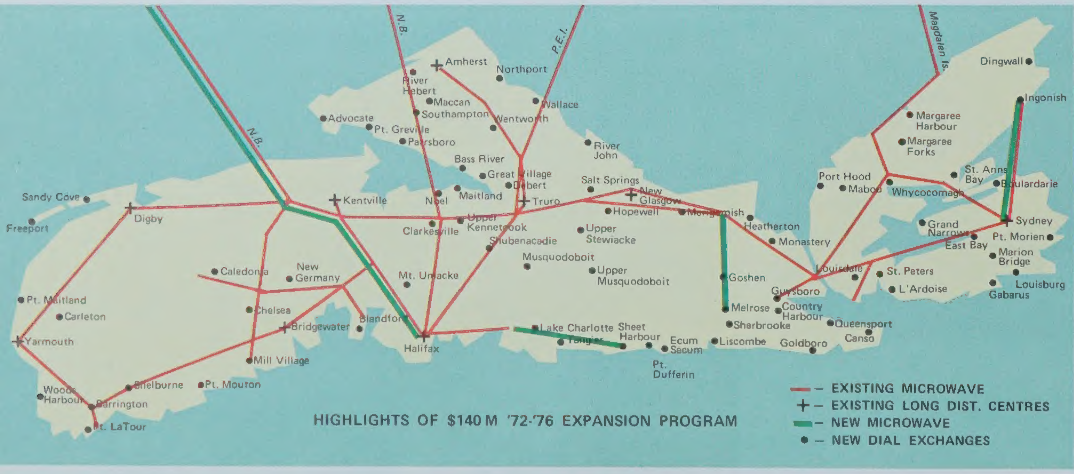
Chief Engineer H. C. Kingsbury (centre) M. J. McGrath, Transmission Facilities Engineer (l) and D. F. Farmer, broadband telecommunications project engineer, examine amplifier housings for new network.

People Serving People

FAR REACHING EXPANSION PROGRAM LIKE BUILDING A SECOND PHONE COMPANY—*IN FIVE YEARS*

In the forenoon of the last day of 1971, the president of Dalhousie University, Dr. Henry D. Hicks, and your president, sat briefly at the console controls of an elaborate telecommunications centre in a windowless room at the Sir Charles Tupper Medical Centre in mid-town Halifax.

The event was the formal cutting into service of one of Canada's first major-customer wideband telecommunications service — a network which ultimately will provide some 36 channels on a bidirectional communications "highway". In layman's terms, the under-street network offers major business, government and institutional organizations what Jumbo Jets have done for airlines with twin-engined craft.



The occasion highlighted a year in which plans to meet the Company's dual goals of expansion and diversification had moved forward in other ways, too.

Total capital construction program for 1971 was $21.5 million. A major share of this — $13.5 million — was for expansion, including the growth of telephones in service which required the connection of 75,609 telephones and disconnection of 57,000.

Major growth expenditures were for central office exchange equipment throughout the province. At Lower Sackville, near Halifax, a four-storey high dial-switching centre costing $2 million was completed. It is designed to meet the growth of the planned "satellite city" complex there. At Halifax's enlarged North Street long-distance centre, the "4A cross-bar" equipment and related building costs — totalling $7 million — went operational. Biggest single project in the Company's history, the centre was officially opened by Hon. A. Garnet Brown, N.S. minister of highways and tourism.
There followed a series of tours and ceremonies to which government officials, shareholders, our employees and families and the general public were invited.

Meanwhile, a number of work-in-process projects were already underway, including construction of the $3.2 million Woodlawn dial switching exchange centre in Dartmouth to meet unusual growth conditions in that city.

Balance of the $21.5 million capital budget included $8 million on projects involving both replacement of obsolete equipment and provision of modernized facilities in many areas of the province. At Clark's Harbour all telephones on Cape Sable Island were converted to dial service in June. The Musquodobit Harbour exchange was also converted to dial service in June, followed shortly by replacement of dial facilities in Cheverie and Walton and dial-conversion for the Brooklyn exchange. At Arichat, more than $1.1 million was invested to bring dial service to the 1,163 telephones throughout Isle Madame in November, and four weeks later the 963 telephones in the Cheticamp area received dial service.

Overall, net additions to telephone plant in 1971 was equivalent to the expenditure of $839 for each of the 18,609 telephones gained.

While cognizant of the progress in provision of telecommunications service the Company had achieved during the year, and of the growth and dynamism of Nova Scotia's economy, in November we committed our resources and our people to a far-reaching five-year expansion program, chief highlights of which are complete dial for all telephones, and 100% Direct Distance Dial facility, by 1976.

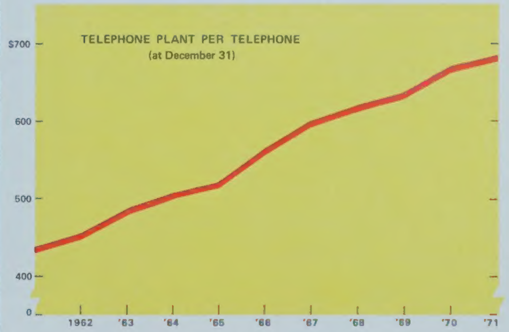
Total estimated expenditure for this expansion program is $140 million. In dollars, this amounts to virtually a doubling of the expenditure for plant and equipment whose net value at the start of 1971 was $142 million. In the 60 months to follow, we estimate telephones in service will rise to 385,000. Some 80 small, independent "connecting" telephone companies service responsibilities will be assumed by the Company (at the request of these companies, and with the approval of the Board of Commissioners of Public Utilities). For several dozen exchanges, long distance charges to neighboring communities will be eliminated in common-calling Extended Area Service plans.

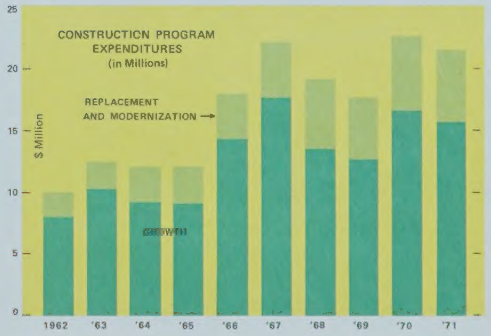
General Plant Manager G. Donald Robb, (centre) views downtown community model with C. J. Munro, Construction Superintendent (l) and E. C. Hicks, General Plant Supervisor.

For many of these communities and others, Base Rate Areas — ie., mileage-free rates — will be enlarged to meet developing population concentrations.

Dr. Ross Langley, professor of medicine, with A. G. Archibald, Company president, and Dr. Henry Hicks, Dalhousie University President, at Tupper Medical audio-visual centre inaugurating broadband telecommunications service.

"Television microscope" permits camera lens to see cell slide sections, projecting them to large-screen remote viewing centres across city.





36,000 HOURS A YEAR GIVE NEW MEANING TO "LEISURE TIME"

Earlier, we referred to "telephone people" as a unique brand. There is justification for this view, when we remember that the very foundation of North America's free-enterprise telecommunications industry has long been rooted in the still-honored tradition of Spirit of Service.

It is this spirit active in community after community throughout Nova Scotia that attracts and holds the highest-calibre of men and women in the telephone business – people who in turn make it their business to be involved, to be concerned, and to be of service to their fellow Nova Scotians.

The Company cannot take credit for what its employees do with their own time, off the job. But the record summarized here surely demonstrates that both the Company and its people have a deep commitment and concern for the growth and enrichment of life in our province.

General Information Manager John R. Gale, member of Halifax-Dartmouth Welfare Council, (r), with Mrs. Anna Tingley, Council executive director, and Chief Justice Gordon A. Cowan, Chairman of the Council's Agency Review Committee.

This commitment takes these broad forms:

In hundreds of organizations – from churches to blind bowling leagues, drop-in centres to drug-abuse clinics – the people of Maritime Tel belie what some critics of modern society call misuse of "leisure time". There isn't much leisure time for telephone people, apparently; late in 1971 a survey among 200 men and women revealed that their cumulative yearly service in 162 individual organizations added up to 36,000 hours. On this basis, even if only half of our employees were to add up their service to their fellow citizens, the total involvement must reach somewhere close to 150,000 hours.

In the Telephone Pioneers organization, made up of men and women who have served 21 years or more in our industry, more than 500 active and retired telephone people carry on a 60-year tradition of fellowship, loyalty and service in Nova Scotia. The year 1972 will be even greater than last year, when Pioneers marked their Diamond Jubilee and looked with pride to their volunteer work which produced eight "talking dolls" for speech therapists' use with disturbed children, Bibles-in-braille for the blind, electronic "beeping" baseballs for sightless youngsters, fully-equipped donated hospital rooms, modified typewriters for the handicapped, and much more.

In 32 other organizations, the men and women of Maritime Tel are actively supported by the Company – in both making time available, and money – to continue the work of these organizations. They include memberships on a wide variety of boards and committees, Boards of Trade and Chambers of Commerce, a host of service clubs, fund appeals and professional self-help organizations.

As a "corporate citizen", the Company has also committed itself and its 11,600 shareholders to continued active financial support of dozens of major charitable and educational institutions throughout Nova Scotia. This is money "out of earnings" and is geared to support a variety of socially-concerned organizations – from the Junior Achievement movement to United Appeals and Community Funds – and all regional institutions of higher education.

It was an engineer-inventor who turned to poetry and wrote:

"God is a verb
not a noun . . .
not art, but articulation
is loving, not love . . ."

We agree.

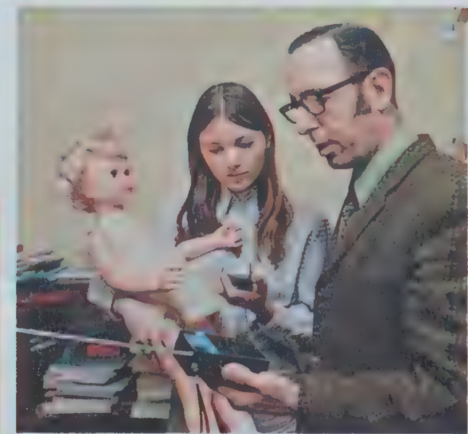
Intent on training for badges, these Sydney Boy Scouts are shown with PBX installer-repairman Albert Boudreau, Scoutmaster.

In New Glasgow, Engineering Supervisor Paul Hare helps in Lions club weekly sessions with members of blind bowling league; here Harold White, entrant in province-wide playoffs, gets some last-minute pointers.

Judi Cosman, Yarmouth Traffic Operator, doubles on her own time as Guide company leader to teach map-reading to youngsters like Mary Dakin.

Fire truck in background, Yarmouth Installer Howard Goodwin gets instruction as a volunteer fireman in air-pack firefighting equipment from department supervisor Gary Trask.

Sydney Traffic Operator Mrs. Katherine Burke lends a helping hand at regular Whitney Pier arena minor hockey league games, assisting son, Gregory (l) and rival player David Marks.



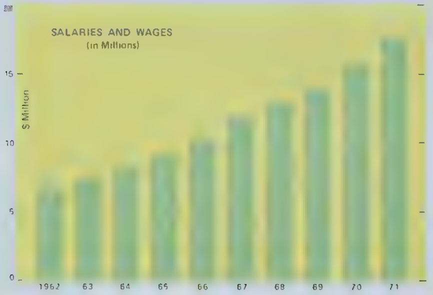
Murray Josey, Engineering Associate, active member of Telephone Pioneers, instructs Halifax special-class teacher Mrs. Linda Langan on use of "talking doll" in speech therapy for disturbed youngsters; doll's instrumentation was developed and installed by Pioneers.

BLENDING OF UP-DATED SKILLS, MODERN MACHINES BRINGS PROGRESS IN PRODUCTIVITY

Statistically, the majority of our people have been with us for fewer years than some of the modern, automated equipment on our premises. Thus the blending of their skills with the constant up-dating of machines and procedures is a process that never stops.

At year end, there were 1,251 male employees and 1,398 female employees, a total increase of 120 over 1970.

Their salaries and wages totalled $17,724,000.



Benefits, totalling $2,121,000 or 12% of the total payroll were:

- $1,173,000 added by the Company to the non-contributory pension fund.
- payments for sickness, accident, group insurance, supplementary hospital insurance — $336,000.
- payments to Canada Pension Plan, $200,000; to Old Age Security Tax, $291,000; Unemployment Insurance, $121,000.

As well, more than half of our people saved for the future through the Employees' Stock Savings Plan.

During the year, on-the-job training ranged from programmed courses for new operators to management seminars. Sixty-five telephone people received financial assistance in out-of-hours education in a variety of fields related directly and indirectly to their jobs.

A high proportion of this training in all departments has been in the optimum utilization of modern machines and work procedures.

In recent years many of our business operations have been improved through various methods of mechanization, and a new Company department has been established to plan and co-ordinate the development of new business systems. This Business Information Systems group is responsible for developing business systems to improve service, reduce operating costs, and provide for improved management information through the optimum use of human resources, computers, communications and management sciences.

Business Information Systems Manager I. E. H. Duvar (centre) confers with P. G. Henderson, Supervisor-Systems Development and G. R. Murphy, Supervisor-Systems Design.

General Personnel Manager Harry W. Dacey (seated, centre) meets with Norman Walters, labor relations Personnel Supervisor (standing); Miss Eileen MacKay, employment office Supervisor; and W. G. Francis, Staff Supervisor-benefits.

Many of our new systems have been based on the use of modern computers and there has been considerable growth in this area during the past few years. As a result, during 1971 the Business Information Systems department upgraded our computer facilities by installing one of the largest and most powerful computers in Eastern Canada to provide for existing and planned systems growth.

As well, this same BIS group has been charged with co-operating with similar telephone industry groups throughout Canada to analyze and apply common programs with resulting benefits of lower costs and better utilization within each company.

IN SUM

1971 has been a good year for your Company. There are areas in which we know we can do better and are determined to try harder. Heavy demands for growth in some urban areas meant sporadic peaks of as much as ten days in new-service installation delays. For more than a year, we have quietly moved to enlarge the numbers of minority racial groups in our employ — not with all the success we had hoped for, but enough to encourage us to press forward. We have responded positively to invitations to support many of today's new-environment volunteer organizations that reflect creditably on citizen concern and responsible social action.

Across Canada, the telecommunications sector of our economy accounts for two per cent of our Gross National Product — and it is growing at twice the rate of the national economy. Recently, Hon. Robert Stanbury, federal minister of communications, indicated communications could by 1980 account for an impressive five per cent of the GNP.

As a member of the Trans Canada Telephone System (TCTS), MT & T has invested $615,000 in Telesat, a government-public corporation which will launch the free world's first domestic communications satellite — ANIK, Eskimo for "brother" — in geostationary orbit late in 1972.

The Company also participated in 1971 in the TCTS decision to build the first trans-continental Digital Data Network to meet the needs of the next decade for high-volume computer communications. In this and other areas, TCTS's comprehensive and far-reaching Fundamental Data Research study is having its impact as our industry plans for the provision of data transmission facilities as well as "software" programming, to meet a fast-growing market for data communications.

At year end, the company along with other TCTS members, independent telephone companies, the Canadian Overseas Telecommunication Corporation and the telecommunications departments of both the Canadian National and Canadian Pacific railways, formed a new industry association — the Canadian Telecommunications Carriers Association — to replace the 50-year-old Telephone Association of Canada.

The CTCA, it is hoped, will now accurately reflect the growing involvement of many related industry activities in a vital Canadian resource.

Within Nova Scotia, our Company's plans reflect our confidence in the region's economic future. During 1971, developments to bolster this confidence included:

- plans in the Halifax-Dartmouth area for enlargement of the container port and auto-port, new and expand hotel facilities, and a major two-department store retail complex
- in Cape Breton, the $96 million modernization of the Sydney Steel plant, and an equal investment in the Glace Bay heavy water plant
- elsewhere, the prospect of oil and natural gas from off-shore explorations and the possibilities of tidal power developments

All herald hope of a "new day" for Nova Scotia's economy.

Few organizations reach so far into all aspects of an area's community life and progress as the telephone business. For your Company and its people, this means their performance should continue to be measured not only by the achievements of today, but by their commitments to the future. On both counts it is with confidence and pride that we respectfully submit this report to you, the shareholders.

A. G. Archibald

Chairman and President
For the Board of Directors
February 9, 1972

THE FINANCIAL PICTURE

In words

1971 earnings per share, $1.83, were above the latest view which was reported to the shareholders in the interim financial report. The main reason for the improved earnings was a reduction in the rate of income taxes. As well, operating revenues improved over the forecast in the latter part of the year reflecting an improvement in business conditions.

Operating revenues improved over the previous year by 9.9% and this was because of more toll messages (up 11.4%) and increased local service revenues through improved sales of extension telephones, Touch-Tone, and other services. Also, other operating revenues increased by 14.8% and uncollectibles were lower than last year.

Operating expenses, however, increased by 11.4%, chiefly because of increases in costs of materials and labour (total payroll was 13% above the previous year). Also, there was an increase in pension costs, because of a new actuarial study.

The Company raised $12 million through a new issue of first mortgage bonds. These funds were supplemented with more than $5 million of short term loans and employees' stock savings plan contributions. The $6 million of Series D and G bonds were redeemed. By year end, working capital had increased $2.9 million.

There was a significant income tax receivable at the end of 1971 (slightly less than two million dollars) because of a change in claiming capital expenditures which were deductible for tax purposes; this resulted in a reduction of taxes payable for 1970 and an increase in our deferred income taxes at December 31, 1971.

The decrease in other telephone plant from $9.8 million in 1970 to $5.5 million in 1971 was because of the reclassification of plant under construction at the end of 1970 to telephone plant in service.

During the year a change was made in the presentation of bank and other short term notes together with the current portion of first mortgage bonds. These are no longer shown as "current liabilities" but are shown as part of "long term debt". The reason for this change is that the short term borrowings were used to finance the construction of telephone plant. This change in classification has also been reflected in the 1970 figures.

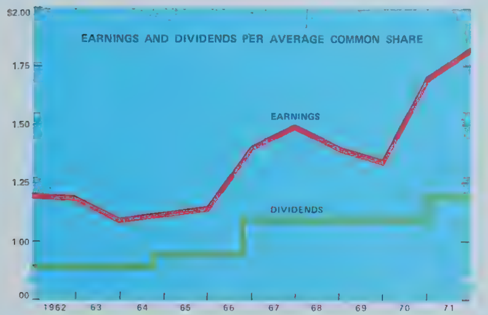
Late in 1971, the Board of Directors appointed an Audit Committee, the members of which are identified elsewhere in this report. The committee is responsible for overseeing the financial reports, acting as a link between the Board and the Company's auditors and financial staff.

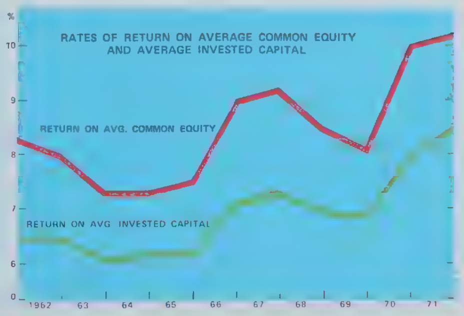
(l to r) Stephen E. Jefferson, Comptroller; Edward J. Hicks, Treasurer; and Frederick M. Waller, Company Secretary and Executive Assistant.

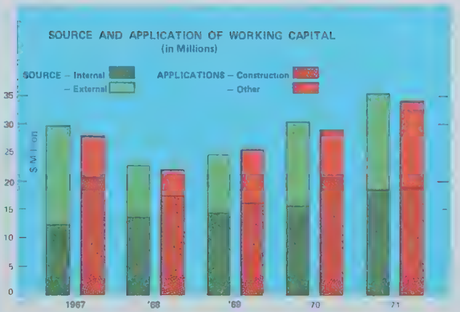
In brief

	1971	1970
Construction Program Expenditures (millions)	$ 21.5	$ 22.6
Telephone Plant per Telephone, December 31	$ 687	$ 671
Telephones in Service, December 31	297,877	279,268
Earnings per Share	$ 1.83	$ 1.71
Dividends per Share	$ 1.20	$ 1.10
Average Common Shares (thousands)	3,854	3,796
Return on Average Invested Capital	8.5%	8.0%
Return on Average Common Equity	10.2%	9.9%
Equity per Common Share, December 31	$ 18.19	$ 17.64
Long Term Debt % debt and equity December 31	50.0%	48.8%
Salaries and Wages (millions)	$ 17.7	15.7
Employees, December 31	2,649	2,529

In statements







AUDITORS' REPORT

To the Shareholders of
Maritime Telegraph and Telephone Company, Limited:

We have examined the financial position statement of Maritime Telegraph and Telephone Company, Limited as at December 31, 1971, and the income statement, retained earnings statement and source and application of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1971, and the results of its operations and the source and application of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceeding year.

Halifax, Canada
February 7, 1972

Clarkson, Gordon & Co.
Chartered Accountants

Maritime Telegraph & Telephone Company, Limited

FINANCIAL POSITION STATEMENT

As at December 31, 1971

(With Comparative Figures as at December 31, 1970)

ASSETS

	1971	1970
	$	$
TELEPHONE PLANT		
Depreciable telephone plant in service, at cost	198,956,000	179,085,000
Other telephone plant, at cost (Note 1)	5,555,000	9,814,000
	204,511,000	188,899,000
Less accumulated depreciation	51,758,000	46,892,000
	152,753,000	142,007,000
INVESTMENTS		
Equity in net assets of subsidiaries (Note 2)	2,878,000	2,698,000
Other investments (Note 3)	710,000	850,000
	3,588,000	3,548,000
CURRENT ASSETS		
Cash	823,000	450,000
Accounts receivable	6,745,000	6,694,000
Income taxes receivable (Note 7)	1,915,000	—
Materials, at cost	1,538,000	1,588,000
Prepayments	374,000	316,000
	11,395,000	9,048,000
DEFERRED CHARGES		
Unamortized long term debt expenses	691,000	502,000
Other deferred charges	400,000	451,000
	1,091,000	953,000
	168,827,000	155,556,000

LIABILITIES AND SHAREHOLDERS' EQUITY

	1971	1970
	$	$
SHAREHOLDERS' EQUITY		
Common stock (Note 4)	38,823,000	38,249,000
Premium on common stock (Note 5)	14,249,000	14,095,000
Retained earnings	17,532,000	15,113,000
	70,604,000	67,457,000
Preferred stock (Note 4)	1,500,000	1,500,000
	72,104,000	68,957,000
LONG TERM DEBT (Note 6)		
First mortgage bonds	68,000,000	62,000,000
Bank & other notes	4,150,000	3,650,000
	72,150,000	65,650,000
CURRENT LIABILITIES		
Accounts payable	3,007,000	2,740,000
Income taxes accrued	—	1,049,000
Interest accrued	771,000	664,000
Dividends payable	1,191,000	1,078,000
Other current liabilities	252,000	257,000
	5,221,000	5,788,000
DEFERRED CREDITS		
Income taxes (Note 7)	18,912,000	14,797,000
Other deferred credits (Note 8)	440,000	364,000
	19,352,000	15,161,000
	168,827,000	155,556,000

On behalf of the board: A. G. Archibald, Director — D. W. Myers, Director

(7) **Income taxes** — deferred tax accounting has been followed with respect to all timing differences. During the year, the Company has made a change in the method of calculating income for tax purposes. This has enabled the Company to defer $1.5 million of income taxes paid in prior years, of which $1.0 million is still currently receivable. The new method has resulted in a reduction in current year's taxes payable to the extent of $900 thousand, which is also currently receivable.

(8) **Other deferred credits** — principally employees' stock savings plan —

	1971	1970
Beginning of year	$ 354,000	$ 344,000
Add contributions, including interest	797,000	693,000
	1,151,000	1,037,000
Less common stock issued to employees under the Plan	729,000	683,000
End of year	$ 422,000	$ 354,000

Generally, shares are issued on the completion of 12 months of contribution at a price approved by the Board of Commissioners of Public Utilities for the Province of Nova Scotia. Effective July 1, 1970, the price is equivalent to 80% of the average market price of the stock.

(9) **Other operating revenues** — principally from directory advertising and circuit rentals.

(10) **Depreciation** — charged under the straight line vintage group method, using component depreciation rates for classes of plant as approved from time to time by the Board of Commissioners of Public Utilities for the Province of Nova Scotia. These rates provide for depreciating the assets over their estimated useful service lives. The rates currently in use were approved effective January 1, 1969, and resulted in a composite of 5.1% for 1971.

(11) **Traffic** — expenses, principally wages, incurred in handling telephone calls.

(12) **Administrative** — executive, accounting, public relations, engineering, and business information systems expenses.

(13) **Other operating expenses** — principally rents, service pensions, and employee benefits.

(14) **Other income** — includes income from subsidiary $318,000, interest charged construction $376,000, less other income charges.

(15) **Other interest** — includes amortization of discount and premium on long term debt amounting to $77,000.

(16) **Charges requiring working capital** —

	1971	1970
Operating expenses, interest & taxes	$41,852,000	$37,946,000
Less charges not requiring working capital — Depreciation	9,533,000	8,863,000
Deferred income taxes	2,610,000	1,375,000
Other	176,000	221,000
	12,319,000	10,459,000
	29,533,000	27,487,000
Add credits not producing working capital — Interest, pensions & expenses charged to construction	1,232,000	1,110,000
Other	173,000	27,000
	$30,938,000	$28,624,000

(17) **Construction program expenditures requiring working capital** —

	1971	1970
Gross additions to plant	$21,103,000	$22,160,000
Cost of removing old plant	415,000	446,000
Construction program expenditures	21,518,000	22,606,000
Less charges not requiring working capital —		
Interest, pensions, & expense credited to income	1,232,000	1,110,000
Salvage	926,000	788,000
Other	111,000	105,000
	2,269,000	2,003,000
	$19,249,000	$20,603,000

(18) **Obligation for pension benefits for past services** — the latest actuarial valuation of the plan was made as at December 31, 1970 and the value of the unfunded pension benefit obligation, based on that valuation, was $3,573,000 at December 31, 1971. This unfunded obligation is being satisfied by annual payments of $242,000 which are treated as costs in the current year, with the final payment to be made in December, 1995.

INCOME STATEMENT

For The Year Ended December 31, 1971

(With Comparative Figures for the Year Ended December 31, 1970)

	1971	1970
	$	$
OPERATING REVENUES		
Local service	24,606,000	22,816,000
Long distance service	22,390,000	20,041,000
Other (Note 9)	1,511,000	1,316,000
Uncollectible	*182,000*	*186,000*
	48,325,000	43,987,000
OPERATING EXPENSES		
Maintenance	7,272,000	6,556,000
Depreciation (Note 10)	9,533,000	8,863,000
Traffic (Note 11)	4,495,000	3,968,000
Commercial & marketing	2,315,000	2,108,000
Administrative (Note 12)	3,160,000	2,636,000
Other (Note 13)	2,588,000	2,225,000
Taxes other than income taxes	1,514,000	1,318,000
	30,877,000	27,674,000
	17,448,000	16,313,000
Other income (Note 14)	675,000	566,000
INCOME BEFORE INTEREST AND INCOME TAXES	18,123,000	16,879,000
INTEREST		
Bond interest	4,220,000	3,338,000
Other (Note 15)	354,000	420,000
	4,574,000	3,758,000
	13,549,000	13,121,000
Income taxes (Note 7)	6,401,000	6,514,000
NET INCOME FOR YEAR	7,148,000	6,607,000
Earnings per share	1.83	1.71

S. E. Jefferson
Comptroller

SOURCE & APPLICATION OF WORKING CAPITAL

For The Year Ended December 31, 1971

(With Comparative Figures for the Year Ended December 31, 1970)

	1971	1970
	$	$
SOURCE:		
Internal —		
Operating revenues and other income	49,000,000	44,554,000
Less charges requiring working capital (Note 16)	30,938,000	28,624,000
From operations	18,062,000	15,930,000
Deferred income taxes, prior years (Note 7)	1,505,000	—
Total internal	19,567,000	15,930,000
External —		
First mortgage bonds	12,000,000	10,000,000
Bank & other notes	4,650,000	3,150,000
Employees' stock savings plan (Note 8)	797,000	693,000
Total external	17,447,000	13,843,000
Total source	37,014,000	29,773,000
APPLICATION:		
Construction program expenditures requiring working capital (Note 17)	19,249,000	20,603,000
Redemption of first mortgage bonds	6,000,000	—
Repayment of bank & other notes	3,650,000	3,650,000
Dividends	4,729,000	4,281,000
Investments (Note 3)	379,000	250,000
Other	93,000	389,000
Total application	34,100,000	29,173,000
INCREASE IN WORKING CAPITAL	2,914,000	600,000
WORKING CAPITAL, beginning of year	3,260,000	2,660,000
WORKING CAPITAL, end of year	6,174,000	3,260,000

The accompanying notes are an integral part of these statements.

RETAINED EARNINGS STATEMENT

For The Year Ended December 31, 1971

(With Comparative Figures for the Year Ended December 31, 1970)

	1971	1970
	$	$
RETAINED EARNINGS, beginning of year	15,113,000	12,781,000
ADDITIONS:		
Net income for year	7,148,000	6,607,000
Other	—	6,000
	7,148,000	6,613,000
DEDUCTIONS:		
Preferred dividends	105,000	105,000
Common dividends	4,624,000	4,176,000
	4,729,000	4,281,000
RETAINED EARNINGS, end of year	17,532,000	15,113,000

NOTES

(1) **Other telephone plant** — land and telephone plant under construction.

(2) **Equity in net assets of subsidiaries** —

(a) The Island Telephone Company, Limited — represented by 288,260 common shares (53.2%). The investment of $2,868,000 represents the Company's equity in the net assets of the subsidiary. The Company's portion of the subsidiary's net income for the year (of which $144,000 has been received in the form of dividends) is included in other income, in the amount of $318,000, (1970, $168,000).

(b) Maritime Computers Limited — during the year the Company purchased all of the outstanding common shares for $10,000.

(3) **Other investments** — principally in Telesat Canada. Shares were purchased during 1970 for $246,000, in 1971 for $369,000, and will be purchased in 1972 for $123,000, making a total investment of $738,000.

(4) **Capital stock** — par value $10.00 per share

	1971 Shares	1970 Shares
Authorized:	5,000,000	5,000,000
Issued:		
Common — beginning of year	3,824,854	3,767,437
— issued during year for cash (1971 — $728,590 1970 — $683,037)	57,438	57,417
— end of year	3,882,292	3,824,854
Preferred — 7% cumulative, voting, non-redeemable	150,000	150,000

(5) **Premium on common stock** —

	1971	1970
Beginning of year	$14,095,000	$13,986,000
On shares issued during year	154,000	109,000
End of year	$14,249,000	$14,095,000

(6) **Long term debt** —

(a) First mortgage bonds —

Series	Rate	Maturing	Principal
F	3%	July 2, 1972	$ 3,000,000
H	4½%	July 2, 1972	2,500,000
I	3¾%	May 1, 1975	3,000,000
E	3%	July 1, 1976	2,000,000
O	8¼%	June 15, 1977*	6,000,000
J	5¼%	Sept. 15, 1978	3,500,000
K	5½%	Nov. 1, 1980	4,000,000
L	5½%	June 15, 1983	5,000,000
M	5½%	May 1, 1985	7,000,000
N	6½%	March 15, 1987	10,000,000
Q	9¼%	June 1, 1990**	10,000,000
R	8⅜%	May 1, 1991	12,000,000
			$68,000,000

*Bondholders have the right from December 15, 1970, to December 15, 1975, to exchange for 8¼% Series P First Mortgage Bonds to mature June 15, 1990.

**Bondholders have the right to require the Company to prepay the principal amount at par on June 1, 1975.

(b) Bank and other notes—

Bank demand loan @ prime rate	$2,650,000
Demand loan from The Island Telephone Company, Limited @ 5½%	1,500,000
	$4,150,000

In common with most public utilities, the Company is required to obtain new capital from time to time by way of issues of bonds or capital stock in order to finance its plant expansion program and meet requirements for debt retirement. To permit the Company to time such issues of new capital most advantageously, the Company has a substantial line of credit from its bankers and also may sell short term notes to provide funds on a temporary basis. In the normal course, however, such short term credit is replaced by longer term financing.

Because short term credit is expected to be replaced by long term financing, the Company believes bank loans, short term notes, and currently maturing long term debt should not be classified as current liabilities. This is a departure from a literal interpretation of the recommendation of the Canadian Institute of Chartered Accountants which requires the existence of contractual arrangements for refinancing to justify the exclusion of current debt maturities from the current liabilities classification.

This is the first year for this form of presentation and consequently comparative figures for 1970 have been reclassified.

THE YEARS IN REVIEW

	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
Financial Position at Dec. 31 (in thousands)										
Telephone plant	$204,511	$188,899	$172,101	$159,475	$146,281	$128,492	$114,132	$105,137	$ 95,820	$ 85,512
Accumulated depreciation	51,758	46,892	42,767	38,490	36,269	33,100	30,245	27,363	24,893	21,786
Investments	3,588	3,548	2,772	2,722	5,811	2,612	3,611	1,842	2,416	3,990
Current assets	11,394	9,048	9,455	8,238	8,914	5,778	6,548	5,180	4,777	4,629
Deferred charges	1,091	953	705	519	1,034	764	433	283	245	178
Shareholders' equity	72,104	68,957	65,942	64,295	62,726	53,650	45,115	43,689	39,010	38,918
Long term debt	72,150	65,650	55,650	51,000	46,000	36,200	36,000	29,100	29,000	24,000
Current liabilities	5,221	5,788	6,795	4,584	5,867	4,408	3,956	3,435	2,759	3,133
Deferred credits	19,352	15,162	13,879	12,585	11,178	10,288	8,830	8,276	7,017	5,893
Income (in thousands)										
Operating revenues	$ 48,325	$ 43,987	$ 38,390	$ 35,207	$ 32,333	$ 28,571	$ 24,288	$ 22,127	$ 19,982	$ 18,777
Operating expenses and other taxes	30,877	27,674	25,231	22,485	20,720	18,639	16,480	14,910	13,524	12,260
Other income	675	567	314	435	402	302	243	162	219	60
Interest	4,574	3,758	2,958	2,538	2,262	1,759	1,593	1,328	1,187	1,022
Income taxes	6,401	6,514	5,282	5,295	4,774	4,107	3,157	2,952	2,663	2,722
Net income for year	7,148	6,607	5,233	5,325	4,980	4,368	3,300	3,098	2,826	2,833
Statistics — at December 31										
Telephone plant per telephone	$ 687	$ 671	$ 639	$ 622	$ 601	$ 565	$ 522	$ 509	$ 485	$ 456
Equity per common share	$ 18.19	$ 17.64	$ 17.10	$ 16.88	$ 16.66	$ 16.37	$ 15.76	$ 15.56	$ 15.29	$ 15.44
Embedded debt cost	6.8%	6.1%	5.4%	5.1%	5.1%	4.6%	4.6%	4.4%	4.4%	4.2%
Long term debt % debt & equity	50.0%	48.8%	45.8%	44.2%	42.3%	40.3%	44.5%	40.0%	42.6%	38.1%
Employees	2,649	2,529	2,469	2,474	2,632	2,531	2,340	2,168	2,086	1,915
Telephones in service (adjusted for 1970)	297,877	279,268	269,211	256,388	243,502	227,270	218,533	206,752	195,986	187,536
Dial telephones	92.1%	90.8%	90.5%	90.1%	87.9%	87.9%	87.1%	87.3%	86.9%	86.8%
Statistics — for year										
Earnings per common share	$ 1.83	$ 1.71	$ 1.37	$ 1.41	$ 1.51	$ 1.43	$ 1.17	$ 1.13	$ 1.11	$ 1.22
Dividends per common share	$ 1.20	$ 1.10	$ 1.10	$ 1.10	$ 1.10	$ .99	$ .95	$ .92	$ .90	$ .90
Times bond interest earned — before taxes	4.3	5.1	5.2	5.7	5.5	6.2	5.3	5.8	5.9	6.6
Times bond interest earned — after taxes	2.8	3.1	3.2	3.4	3.3	3.7	3.2	3.5	3.5	3.9
Return on average invested capital	8.5%	8.0%	6.9%	7.0%	7.3%	7.1%	6.2%	6.1%	6.0%	6.4%
Return on rate base	7.4%	7.3%	6.2%	6.2%	6.4%	6.2%	5.5%	5.4%	5.3%	5.9%
Return on average common equity	10.2%	9.9%	8.1%	8.4%	9.1%	9.0%	7.5%	7.2%	7.2%	7.9%
Construction prog. expenditures (in thousands)	$ 21,518	$ 22,606	$ 17,748	$ 19,166	$ 21,851	$ 17,956	$ 11,959	$ 12,006	$ 11,465	$ 9,932
Average common shares (in thousands)	3,854	3,796	3,743	3,698	3,232	2,976	2,739	2,636	2,443	2,236
Salaries and wages (in thousands)	$ 17,724	$ 15,684	$ 14,001	$ 12,851	$ 11,852	$ 10,430	$ 9,063	$ 8,349	$ 7,466	$ 6,817
Average daily calls (in thousands)	1,741	1,672	1,471	1,393	1,308	1,236	1,150	1,086	1,028	989
Average daily toll messages (in thousands)	48	42	38	36	33	31	30	27	25	24

Financial data for the years 1962 to 1969 have been restated to show the effect of adjustments to deferred income taxes and equity in net assets of Subsidiary.

For the years 1962 to 1970 temporary cash investments have been reclassified from current assets to investments; Bank and other short term loans have been reclassified from current liabilities to long term debt.

MARITIME TELEGRAPH & TELEPHONE COMPANY LTD

1971

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Amherst

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Halifax

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Island Construction Company, Limited
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Professor & Head
Departments of Urology
Victoria General Hospital
Camp Hill Hospital
Halifax
Appointed August 19

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Company Director
Yarmouth

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Montreal

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†Member of Audit Committee

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W. Struan Robertson	Vice President — Operations
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Frederick M. Waller	Secretary and Executive Assistant
Edward J. Hicks	Treasurer
Stephen E. Jefferson	Comptroller

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H. C. Kingsbury	Chief Engineer
D. Nelson Braid	General Traffic Manager
Murray W. Wallace	General Commercial Manager
John R. Gale	General Information Manager
Harry W. Dacey	General Personnel Manager
Ivan E. H. Duvar	Business Information Systems Manager

Maritime Telegraph and Telephone Company Limited

part of
Trans-Canada Telephone System

Printed in Nova Scotia